

61.552 Credit for service -- Purchases and grants.

- (1) Called to Active Duty Military Service. An employee of an employer participating in the system who is called to active military duty in the Armed Forces of the United States shall be credited in accordance with 38 U.S.C. sec. 4318 with service credit, creditable compensation, and in the case of employees participating in the hybrid cash balance plan, employee contributions, employer credits, and interest credits, for a period of active military duty of up to six (6) years, provided:
- (a) The employee was called to active military duty in the Armed Forces of the United States:
 - 1. After he or she began participating in the system and provided the employee was on leave of absence from the employer and did not withdraw his or her accumulated account balance; or
 - 2. Prior to the date he or she began participating in the system and terminated employment with his or her employer;
 - (b) The employee entered active military service within three (3) months of his or her last day of paid employment;
 - (c) His or her discharge military service was terminated in a manner other than as described in 38 U.S.C. sec. 4304; and
 - (d) He or she returns to work with an employer participating in the system within two (2) years after completion of the period of active military duty, or upon the subsequent termination of any total disability which existed at the expiration of the two (2) years after discharge.

For periods of active military duty that meet the requirements of this subsection, the employer shall pay the employer contributions payable under KRS 61.565, 61.702, 78.5536, and 78.635.

- (2) (a) Omitted Service. Any person who is entitled to service credit for employment which was not reported by the employer in accordance with KRS 16.543, 61.543, or 78.615 may obtain credit for the service subject to the provisions of this subsection.
- (b) Provided the person pays for the omitted service with within six (6) months of notification by the system, the cost of the service shall be equal to the employee contributions that would have been paid if the person had been correctly reported in accordance with KRS 16.543, 61.543, or 78.615.
- (c) Any employee participating in one (1) of the state-administered retirement systems entitled to service credit under paragraph (a) of this subsection who has not repaid the employee contributions due within six (6) months of notification by the system may purchase the credit after the six (6) months by paying to the system the employee contributions plus interest at the actuarially assumed rate from the date of initial notification under paragraph (b) of this subsection.
- (d) Omitted service purchased under this subsection shall:
- 1. Be considered service credited under KRS 16.543(1), 61.543(1), or 78.615(1) for purposes of determining eligibility for retirement

benefits under KRS 78.510 to 78.852; and

2. Not be credited to the member's account until the employer contributions due and any interest or penalties on the delinquent employer contributions for the period of omitted service are received by the system.
 - (e) Employees who begin participating on or after January 1, 2014, in the hybrid cash balance plan provided by KRS 16.583 or 61.597 or 78.5512 or 78.5516 shall, upon payment of the employee and employer contributions due under this subsection, have their accumulated account balance increased by the employee contributions, employer pay credits, and interest credits that would have been credited to their member's account if the contributions had been paid on time.
 - (f) Contributions payable by the employer under this subsection for omitted service shall be considered delinquent from the date the employee should have been reported and received service credit in accordance with KRS 16.543, 61.543, and 78.615.
- (3)
 - (a) Recontribution of a Refund. Any employee participating in one (1) of the state-administered retirement systems who has been refunded his or her accumulated account balance under the provisions of KRS 61.625, thereby losing service credit in the system, may regain the credit by paying to the system the amount or amounts refunded by the system with interest at a rate determined by the board. Service purchased under this subsection on or after January 1, 2014, shall not be used to determine the member's participation date in the systems.
 - (b) Recontribution of a refund purchased under this subsection shall not be used in determining a retirement allowance until the member has accrued at least six (6) months of service credit in a state-administered retirement system, excluding the service purchased under this subsection. If the member does not accrue at least six (6) months of service credit in a state-administered retirement system, excluding service purchased under this subsection, then the payment plus interest as provided in KRS 16.560, 61.575, or 78.640 shall be refunded upon retirement, death, or written request following termination of employment. The service requirement shall be waived if the member dies or becomes disabled as provided for by KRS 16.582, 61.600, 61.621, 78.5522, or 78.5524.
- (4)
 - (a) Summer Months. Any employee participating in one (1) of the state-administered retirement systems who is or has been employed by a school board or community action agency participating in the County Employees Retirement System or a state-operated school under KRS Chapter 167 or an institution of higher learning participating in the Kentucky Employees Retirement System, who receives service credit for less than twelve (12) months each year, may purchase the additional months of service credit needed to total one (1) year of service credit, except the amount purchased for any specific year shall not exceed three (3) months.
 - (b) The cost of the summer months service credit shall be determined by the formula established by subsection (10) of this section and may be

purchased by the employee, or the employer on behalf of the employee, or the cost may be paid by both the employer and employee in which case the employer and employee shall each pay fifty percent (50%) of the cost. Service credit shall not be credited to the member's account until both the employer's and employee's payment are received by the system.

- (c) If the employee has purchased service credit under this subsection based on months reported by the employer for the fiscal year, and an audit of the employee's account reduces the number of months of service credit for which the employee is eligible to no fewer than nine (9) months, the employee shall retain credit for the months purchased unless the employee is ineligible for any service in the fiscal year. The employee shall be eligible to purchase the additional months under this subsection to total one (1) year.
 - (d) This subsection shall not apply to members who began participating in the County Employees Retirement System on or after January 1, 2014.
- (5) Vested Service Purchases. Any employee who began participating in the County Employees Retirement System, the Kentucky Employees Retirement System, or the State Police Retirement System prior to January 1, 2014, who is vested may purchase service credit for:
- (a) Past service. "Past service" means periods of employment:
 - 1. Between July 1, 1956, in the case of the Kentucky Employees Retirement System, or July 1, 1958, in the case of the County Employees Retirement System, and the effective date of participation by the employer;
 - 2. Where the employee did not participate in the system due to the employee not electing to participate as provided in KRS 61.525(2) or 78.540(1); and
 - 3. With a public agency that did not participate in the Kentucky Employees Retirement System but would have been eligible to participate under KRS 61.520 or a political subdivision that did not participate in the County Employees Retirement System but would have been eligible to participate under KRS 78.530, provided the public agency or political subdivision has merged with or been taken over by a participating employer;
 - (b) State university service, provided the university does not participate in a state-administered retirement system and the university service being purchased was in a nonteaching position that did not participate in a defined benefit retirement program;
 - (c)
 - 1. Up to ten (10) years of out-of-state service. "Out-of-state" means service credited to a state or local government-administered public defined benefit plan in another state that is not a defined benefit plan for teachers.
 - 2. Up to ten (10) years of out-of-state hazardous service. "Out-of-state hazardous service" means service in a regular full-time position that was credited to a defined benefit retirement plan administered by a state or local government in another state, if the service could be

certified as hazardous pursuant to KRS 61.592 or 78.5520, as applicable. The employee may purchase out-of-state hazardous service under this subparagraph provided the employee is vested to receive benefits from the State Police Retirement System or hazardous duty benefits from the Kentucky Employees Retirement System or the County Employees Retirement System.

The employee must purchase out-of-state service or out-of-state hazardous service in the system in which he or she is vested based solely upon the service in that system;

- (d) Active military duty, which means periods of active military duty in the Armed Forces of the United States, provided:
 - 1. The employee's military service was terminated in a manner other than as described in 38 U.S.C. sec. 4304; and
 - 2. The service has not been credited as free military service under subsection (1) of this section;
- (e) National Guard service. An employee may purchase one (1) month of service for each six (6) months of service in the National Guard or the military reserves of the United States. The service shall be treated as service earned prior to participation in the system;
- (f) Federal service. "Federal service" means service with the United States government, that is not service in the Armed Forces;
- (g) Seasonal, emergency, interim, probationary, or temporary employment or part-time employment as provided by KRS 61.510(21) or 78.510(21) averaging one hundred (100) or more hours of work per month on a calendar or fiscal year basis. If the average number of hours of work is less than one hundred (100) per month, the member may purchase credit for only those months he or she receives creditable compensation for one hundred (100) hours of work;
- (h) Part-time employment in a noncertified position at a school board prior to the 1990-91 school year which averaged eighty (80) or more hours of work per month on a calendar or fiscal year basis. If the average number of hours of work is less than eighty (80) per month, the noncertified employee of a school board shall be allowed to purchase credit only for those months he or she receives creditable compensation for eighty (80) hours of work;
- (i) Any period of:
 - 1. Authorized maternity leave without pay or sick leave without pay;
 - 2. Unpaid leave authorized under the federal Family and Medical Leave Act;
 - 3. Approved educational leave; and
 - 4. Agency-approved leave to work for a work-related labor organization if the agency subsequently participated in the County Employees Retirement System, but only if the board receives a favorable private letter ruling from the United States Internal Revenue Service or a favorable opinion letter from the United States Department of Labor;

- (j) Non-participating employer service, which means periods of employment with the following types of agencies provided the agency does not participate in a state-administered retirement system:
 - 1. A regional community services program for mental health organized and operated under the provisions of KRS 210.370 to 210.480;
 - 2. A community action agency created under KRS 273.405 to 273.453. The service provided by this subparagraph shall be purchased in the County Employees Retirement System;
 - 3. An area development district created pursuant to KRS 147A.050; or
 - 4. A business development corporation created pursuant to KRS 155.001 to 155.230, provided the system receives a favorable private letter ruling from the United States Internal Revenue Service or a favorable opinion letter from the United States Department of Labor;
 - (k) Urban-county government service, which means employment in an urban-county government position that would qualify for hazardous duty coverage under KRS 61.592 or 78.5520. The provisions of this paragraph shall only be applicable to vested members participating in the State Police Retirement System or in a hazardous position in the Kentucky Employees Retirement System or the County Employees Retirement System;
 - (l) Periods of service as assistants to officers and employees of the General Assembly for persons who were unable to acquire service under KRS 61.510(20) for service performed after January 1, 1960;
 - (m) Service as a volunteer in the Kentucky Peace Corps, created by KRS 154.1-720; and
 - (n) Employment with a vocational technical school in a noncertified part-time position averaging eighty (80) or more hours per month, determined by using the number of months actually worked within a calendar or fiscal year. The service provided by this paragraph shall be purchased in the Kentucky Employees Retirement System.
- (6) Non-qualified service. Provided the employee's participation date in the system is prior to July 15, 2002, and provided the employee has total service in all state-administered retirement systems of at least one hundred eighty (180) months of service credit, the employee may purchase a combined maximum total of five (5) years of service credit, known as non-qualified service, which is not otherwise purchasable under any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852. The service purchased under this paragraph shall not be used in determining a retirement allowance until the member has accrued at least two hundred forty (240) months of service, excluding service purchased under this subsection. If the member does not accrue at least two hundred forty (240) months of service, excluding service purchased under this subsection, upon retirement, death, or written request following termination, the payment, plus interest as provided in KRS 16.560, 61.575, or 78.640, as applicable, shall be refunded.
- (7) For purposes of service purchased under subsections (2) to (6) of this section:

- (a) Except for subsection (6) of this section, the service must qualify as regular full-time as provided by KRS 61.510 and 78.510;
 - (b) No service credit may be purchased for periods already credited to the system or another public defined benefit retirement fund, including non-qualified service purchased in another state-administered retirement system;
 - (c) Except as provided by paragraph (a)2.a. of subsection (9) of this section, the employee payment for service purchases shall not be picked up, as described in KRS 16.545(4), 61.560(4), or 78.610(4), by the employer;
 - (d) Except for service purchased under subsection (2) or (3) of this section, service purchases made pursuant to this section may be purchased by the entire amount of service available or by increments. Service purchases made pursuant to subsections (2) and (3) of this section shall only be purchased by the entire amount of service available; and
 - (e) Service purchases as provided by subsections (5)(b), (5)(d) to (f), (5)(j)1., and (6) of this section may be purchased in any system in which the member has service credit.
- (8) (a) Employer purchase of past service. Any employer participating in the system may purchase service credit, between July 1, 1956, in the case of the Kentucky Employees Retirement System, or July 1, 1958, in the case of the County Employees Retirement System, and the participation date of the employer, for present employees of the county or department who have elected coverage under KRS 61.525(2) or 78.540(1), provided the employee began participating in the system prior to January 1, 2014.
- (b) A Kentucky Employees Retirement System employer shall pay the cost of the service credit within the fiscal year the election is made to purchase the service credit. A County Employees Retirement System employer may purchase the service, with interest at the rate actuarially assumed by the board, over a period not to exceed ten (10) years.
- (c) If an employer elects to purchase service under the provisions of this subsection, any present employee who would be eligible to receive service credit under the provisions of this subsection and has purchased service credit under subsection (5)(a) of this section shall have his or her payment for the service credit refunded with interest at the rate paid under KRS 61.575 or 78.640; and
- (d) Any payments made by an employer under this subsection shall be deposited to the retirement allowance account of the system and these funds shall not be considered accumulated contributions of the individual members.
- (9) (a) An employee participating in the system may purchase service credit under any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 for which he or she is eligible to purchase, or as otherwise required by 38 U.S.C. ch. 43, by:
- 1. Making a lump-sum payment on a before-tax basis as provided in subparagraph 3. of this paragraph, or on an after-tax basis if the employee is purchasing service credit under subsection (1) or (3) of

this section, service available pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this section, or grandfathered service as defined in paragraph (b) of this subsection;

2. Entering into an agreement to purchase service credit through an installment purchase of service agreement with the systems as provided by paragraph (c) of this subsection:
 - a. On a before-tax basis in which the service is purchased pursuant to the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or
 - b. On an after-tax basis if the employee is purchasing service credit under subsection (1) or (3) of this section, service available pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this section, or grandfathered service as defined in paragraph (b) of this subsection; or
 3. Transferring funds to the system through a direct trustee-to-trustee transfer as permitted under the applicable sections of the Internal Revenue Code and any regulations or rulings issued thereunder, through a direct rollover as contemplated by and permitted under 26 U.S.C. sec. 401(a)(31) and any regulations or rulings issued thereunder, or through a rollover of funds pursuant to and permitted under the rules specified in 26 U.S.C. secs. 402(c) and 408(d)(3). The system shall accept the transfer or rollover to the extent permitted under the rules specified in the applicable provisions of the Internal Revenue Code and any regulations and rulings issued thereunder.
- (b) For purposes of this subsection, "grandfathered service" means service purchases for which a member, whose membership date in the system is prior to July 1, 1999, is eligible to purchase under KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, that were available for all members of the system to purchase on August 5, 1997.
- (c)
1. For service purchased under a before-tax or after-tax installment purchase of service agreement as provided by paragraph (a)2. of this subsection, the cost of the service shall be computed in the same manner as for a lump-sum payment which shall be the principal, except that interest compounded annually at the actuarial rate in effect at the time the member elects to make the purchase shall be added for the period that the installments are to be made.
 2. Multiple service purchases may be combined under a single installment agreement, except that no employee may make more than one (1) installment purchase at the same time.
 3. For after-tax installment purchase of service agreements, the employee may elect to stop the installment payments by notifying the system; may have the installment purchase recalculated to add one (1) or more additional service purchases; or may pay by lump sum the remaining principal or a portion of the remaining principal.
 4. Before-tax installment purchase of service agreements shall be irrevocable, and the employee shall not be able to stop installment

payments or to pay off the remaining balance of the purchase of service agreement, except upon termination of employment or death.

5. One (1) year of installment payments shall be made for each one thousand dollars (\$1,000) or any part thereof of the total cost, except that the total period allowed for installments shall not be less than one (1) year and shall not exceed five (5) years.
6. The employee shall pay the installments by payroll deduction for after-tax purchase of service agreements, and the employer shall pick up installments for before-tax purchase of service agreements. Upon notification by the system, the employer shall report the installment payments monthly continuously over each twelve (12) month period at the same time as, but separate from, regular employee contributions on the forms or by the computer format specified by the board.
7. The system shall determine how much of the total cost represents payment for one (1) month of the service to be purchased and shall credit one (1) month of service to the member's account each time this amount has been paid. The first service credited shall represent the first calendar month of the service to be purchased and each succeeding month of service credit shall represent the succeeding months of that service.
8. If the employee utilizing an installment purchase of service agreement dies, retires, does not continue employment in a position required to participate in the system, or elects to stop an after-tax installment purchase of service agreement, the member, or in the case of death, the beneficiary, shall have sixty (60) days to pay the remaining principal or a portion of the remaining principal of the installment purchase of service agreement by lump sum, subject to the restrictions of paragraph (a)1. of this subsection, or by transfer of funds under paragraph (a)3. of this subsection, except that payment by the member shall be filed with the system prior to the member's effective retirement date. If the member or beneficiary does not pay the remaining cost, the system shall refund to the member or the beneficiary the payment, payments, or portion of a payment that does not represent a full month of service purchased, except as provided by subsection (6) of this section.
9. If the employer does not report installment payments on an employee for sixty (60) days for an after-tax installment purchase of service agreement, except in the case of employees on military leave or sick leave without pay, the installment purchase shall cease and the system shall refund to the employee the payment, payments, or portion of a payment that does not represent a full month of service purchased.
10. Installment payments of employees on military leave or sick leave without pay shall be suspended during the period of leave and shall resume without recalculation upon the employee's return from leave.

11. If payments have ceased under subparagraph 8. or 9. of this paragraph and the member later becomes a participating employee in the County Employees Retirement System, Kentucky Employees Retirement System, or State Police Retirement System, the employee may complete the adjusted original installment purchase by lump sum or installment payments, subject to the restrictions of this subsection. If the employee elects to renew the installment purchase, the cost of the remaining service shall be recalculated in accordance with subsection (10) of this section.
 - (d) Member payments, including interest, properly received pursuant to this subsection, shall be deposited to the member's account and considered as accumulated contributions of the individual member.
- (10) (a) The cost of purchasing service credit under any provision of this section, except as provided by subsections (1) to (3) of this section, shall be determined by multiplying the higher of the employee's current rate of pay, final rate of pay, or final compensation as of the end of the month in which the purchase is made times the actuarial factor times the number of years of service being purchased. The actuarial factor used to determine the cost of purchasing service credit shall assume the earliest date the member may retire without a reduction in benefits and the cost-of-living adjustments provided to members upon retirement.
 - (b) Service purchased on or after August 1, 2004, under the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, except for service purchased under subsections (1) to (3) of this section, shall not be used to determine eligibility for or the amount of the monthly insurance contribution under KRS 61.702 or 78.5536.
 - (c) For a member whose participation begins on or after August 1, 2004, service purchased under the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, except for service purchased under subsections (1) to (3) of this section:
 1. Shall not be used to determine eligibility for a retirement allowance under disability retirement, early retirement, normal retirement, or upon death of the member under any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852; and
 2. Shall only be used to determine the amount of the retirement allowance of a member who is eligible for a retirement allowance under disability, early retirement, normal retirement, or upon death of the member under any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, based on service earned as a participating employee.

Effective: April 1, 2021

History: Repealed and reenacted 2021 Ky. Acts ch. 102, sec. 52, effective April 1, 2021. -- Amended 2020 Ky. Acts ch. 79, sec. 43, effective April 1, 2021. -- Amended 2018 Ky. Acts ch. 107, sec. 25, effective July 14, 2018. -- Amended 2017 Ky. Acts ch. 32, sec. 9, effective June 29, 2017. -- Amended 2013 Ky. Acts ch. 120, sec. 50, effective July 1, 2013. -- Amended 2012 Ky. Acts ch. 146, sec. 8, effective July 12, 2012. -- Amended 2009 Ky. Acts ch. 77, sec. 10, effective

June 25, 2009. -- Amended 2008 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 12, effective June 27, 2008. -- Amended 2005 Ky. Acts ch. 86, sec. 1, effective June 20, 2005. -- Amended 2004 Ky. Acts ch. 36, sec. 11, effective July 13, 2004. -- Amended 2003 Ky. Acts ch. 169, sec. 9, effective March 31, 2003. -- Amended 2002 Ky. Acts ch. 52, sec. 5, effective July 15, 2002; ch. 210, sec. 1, effective July 15, 2002; and ch. 270, sec. 3, effective July 15, 2002. -- Amended 2000 Ky. Acts ch. 385, sec. 14, effective July 14, 2000. -- Amended 1998 Ky. Acts ch. 56, sec. 1, effective July 15, 1998; and ch. 105, sec. 9, effective July 15, 1998. -- Amended 1996 Ky. Acts ch. 31, sec. 4, effective July 15, 1996; ch. 70, sec. 1, effective July 15, 1996; ch. 167, sec. 10, effective July 15, 1996; and ch. 346, sec. 1, effective July 15, 1996. -- Amended 1994 Ky. Acts ch. 406, sec. 2, effective April 11, 1994; and ch. 485, sec. 12, effective July 15, 1994. -- Amended 1992 Ky. Acts ch. 100, sec. 12, effective July 14, 1992; and ch. 240, sec. 21, effective July 14, 1992. -- Amended 1990 Ky. Acts ch. 117, sec. 2, effective July 13, 1990; ch. 346, secs. 2 and 3, effective July 13, 1990; and ch. 489, sec. 5, effective July 13, 1990. -- Amended 1988 Ky. Acts ch. 308, sec. 1, effective July 15, 1988; ch. 349, sec. 16, effective July 15, 1988; ch. 351, sec. 5, effective July 15, 1988; and ch. 404, sec. 1, effective July 15, 1988. -- Amended 1986 Ky. Acts ch. 90, sec. 10, effective July 15, 1986; ch. 293, sec. 6, effective July 15, 1986; and ch. 490, secs. 2 and 3, effective July 15, 1986. -- Amended 1984 Ky. Acts ch. 329, sec. 1, effective July 13, 1984. -- Amended 1982 Ky. Acts ch. 166, sec. 18, effective July 15, 1982; and ch. 423, sec. 7, effective July 15, 1982. -- Amended 1980 Ky. Acts ch. 322, sec. 1, effective July 15, 1980; and ch. 404, sec. 1, effective July 15, 1980. -- Amended 1976 Ky. Acts ch. 321, sec. 16. -- Amended 1974 Ky. Acts ch. 128, sec. 15. -- Amended 1972 Ky. Acts ch. 116, sec. 31. -- Amended 1966 Ky. Acts ch. 35, sec. 4. -- Amended 1964 Ky. Acts ch. 86, sec. 2. -- Created 1962 Ky. Acts ch. 58, sec. 2.

Legislative Research Commission Note (4/1/2021). In codification, a correction has been made to subsection (2)(e) of this statute. Section 52 of 2021 Ky. Acts ch. 102, which amended this statute, contains a reference to "KRS 16.597," a number that does not correspond to any existing section of the Kentucky Revised Statutes. It is clear from the context that the reference was intended to read "KRS 61.597." Under the authority of KRS 7.136, the Reviser of Statutes has corrected this manifest clerical or technical error.

Legislative Research Commission Note (6/29/2021). 2021 Ky. Acts ch. 96, sec. 15 provides, "Notwithstanding the provisions of 2017 Ky. Acts ch. 32 to the contrary, the implementation date of the amendments in subsection (28) of Section 9 of 2017 Ky. Acts ch. 32 [KRS 61.552] by the Kentucky Retirement Systems shall be December 1, 2019."

Legislative Research Commission Note (12/13/2018). On December 13, 2018, the Kentucky Supreme Court ruled that the passage of 2018 SB 151 (2018 Ky. Acts ch. 107), did not comply with the three-readings rule of Kentucky Constitution Section 46 and that the legislation is, therefore, constitutionally invalid and declared void. That ruling applies to changes made to this statute in that Act.